



## **FEDERAL RESERVE SYSTEM**

### **Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB**

**AGENCY:** Board of Governors of the Federal Reserve System.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) is adopting a proposal to extend for three years, with revision, the Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-4; OMB No. 7100-0100) and the Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-5; OMB No. 7100-0101).

**DATES:** The revisions are applicable as of June 1, 2019.

**FOR FURTHER INFORMATION CONTACT:** Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Office of Management and Budget (OMB) Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17<sup>th</sup> Street, N.W., Washington, DC 20503, or by fax to (202) 395-6974.

**SUPPLEMENTARY INFORMATION:** On June 15, 1984, OMB delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB

control numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Board may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

**Final approval under OMB delegated authority of the extension for three years, with revision, of the following information collections:**

*Report title:* The Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer.

*Agency form number:* Form MSD-4.

*OMB control number:* 7100-0100.

*Effective Date:* June 1, 2019.

*Frequency:* On occasion; a municipal securities dealer (MSD) that is regulated by the Board is required to file Form MSD-4 within ten days of a municipal securities principal's or representative's association with that MSD.

*Respondents:* MSDs regulated by the Board that are, or are the subsidiary of, a state member bank (SMB), a bank holding company (BHC), a savings and loan holding company (SLHC), or a foreign dealer bank.

*Estimated number of respondents:* 18.

*Estimated average hours per response:* 1.

*Estimated annual burden hours:* 18.

*General description of report:* The Municipal Securities Rulemaking Board (MSRB) rule G-7, Information Concerning Associated Persons, requires persons who are or seek to be associated with an MSD as a municipal securities principal (a person performing supervisory functions) or representative (a person engaged in underwriting, trading, or sales of municipal securities or furnishing financial advice to issuers in connection with the issuance of municipal securities) to provide certain background information to the MSD. The rule also requires MSDs to obtain and report this information to the appropriate regulatory agency (ARA). Board-regulated MSDs must report to the Board information required by MSRB rule G-7 using Form MSD-4. Generally, the information required by Form MSD-4 relates to employment history and professional background, including any disciplinary sanctions, as well as any claimed basis for exemption from MSRB examination requirements.

MSDs must retain copies of Form MSD-4 for each associated principal or representative during the entire term of employment and three years from the date of termination of employment. Completed reporting forms are sent as a Portable Document Format (PDF) directly to the Board via email.

*Report title:* The Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer.

*Agency form number:* Form MSD-5.

*OMB control number:* 7100-0101

*Effective Date:* June 1, 2019.

*Frequency:* On occasion; an MSD that is regulated by the Board is required to file Form MSD-5 within 30 calendar days after a principal or representative terminates association with that MSD.

*Respondents:* MSDs regulated by the Board that are, or are the subsidiary of, an SMB, a BHC, an SLHC, or a foreign dealer bank.

*Estimated number of respondents:* 19.

*Estimated average hours per response:* 0.25.

*Estimated annual burden hours:* 5.

*General description of report:* Form MSD-5 is filed by a Board-regulated MSD when any employee previously registered as a municipal securities principal or representative is terminated for any reason. Form MSD-5 requires information such as the reason for termination and whether any investigations or actions by agencies or self-regulatory organizations (SROs) involving the associated person occurred during the period of employment.

Any SMB, BHC, SLHC, or foreign dealer bank registered as an MSD will continue to be required to file this event-generated report form for any employees that are terminated. MSDs must retain copies of the Form MSD-5 reports for three years from the date of termination of employment. Completed reporting forms are sent as a PDF directly to the Board via email.

*Legal authorization and confidentiality:* Sections 15B(a)-(b) and 17 of the Securities Exchange Act (the Act) authorize the SEC and MSRB to promulgate rules requiring MSDs to file reports about associated persons with the SEC and the ARA (15 U.S.C. 78o-4(a)-(b) and (q)). In addition, section 15B(c) of the Act provides that ARAs may

enforce compliance with the SEC's and MSRB's rules (15 U.S.C. 78o-4(c)). Section 23(a) of the Act also authorizes the SEC, the Board, and the other ARAs to make rules and regulations in order to implement the provisions of the Act (15 U.S.C. 78w(a)). Under the Act, the Board is the ARA for an MSD that is, or is the subsidiary of, an SLHC, SMB (including its divisions or departments), or BHC (including a subsidiary bank of the BHC if the subsidiary does not already report to another ARA or to the SEC, and any divisions, departments, or subsidiaries of that subsidiary) (15 U.S.C. 78c(a)(34)(A)(ii)). Although the Act does not specify the ARA for MSD activities of foreign banks, uninsured state branches or state agencies of foreign banks, commercial lending companies owned or controlled by a foreign bank, or Edge Act corporations (collectively referred to as "foreign dealer banks"), the Division of Market Regulation of the SEC has agreed that the Federal Reserve should examine the MSD activities of foreign dealer banks.<sup>1</sup> Accordingly, the Board's collection of Form MSD-4 and Form MSD-5 for these institutions is authorized pursuant to the Act.<sup>2</sup>

In addition, the Board is authorized to require that SMBs and their departments file reports with the Board pursuant to section 11(a)(1) of the Federal Reserve Act (12 U.S.C. 248(a)(1)). Branches and agencies of foreign banks are subject to the reporting requirements of section 11(a)(1) of the Federal Reserve Act pursuant to Section 7(c)(2) of the International Banking Act (12 U.S.C. 3105(c)(2)). BHCs and their subsidiaries are required to submit reports to the Board to ensure compliance with "federal laws that the Board has specific jurisdiction to enforce" (12 U.S.C. 1844(c)(1)(ii)(II)). Section 10(b)(2) of the Home Owners' Loan Act authorizes the Board to require SLHCs to file

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<sup>1</sup> See Letter from Catherine McGuire, Chief Counsel, SEC's Division of Market Regulation, to Laura M. Homer, Assistant Director of Board S&R, June 14, 1994.

<sup>2</sup> 15 U.S.C. 78o-4, 78q, and 78w.

“such reports as may be required by the Board” and instructs that such reports “shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require” (12 U.S.C. 1467a(b)(2)).

The obligation to file the forms with the Board is mandatory for those financial institutions for which the Board serves as the ARA, and the filing of both forms is event generated.

Generally, information provided on Form MSD-4 and Form MSD-5 may be kept confidential from the public under exemption 6 of the Freedom of Information Act (FOIA), which protects information in “personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. 552(b)(6)). In addition, other information on Form MSD-4 and Form MSD-5, such as the name of the MSD that filed the form, may be withheld under exemption 4 of the FOIA, if disclosure is reasonably likely to result in substantial competitive harm to the MSD (e.g., if a MSD recently hired or terminated a number of municipal securities employees, disclosing these forms could reveal competitively sensitive commercial information about that dealer) (5 U.S.C. 552(b)(4)).

The information collected on Form MSD-4 and Form MSD-5 is maintained in a “system of records” within the meaning of the Privacy Act (5 U.S.C. 552a(a)(5)). As required under the Privacy Act, the Board formally designated a system of records notice (SORN) for this information collection, which is the “BGFRS-17, FRB—Municipal or Government Securities Principals and Representatives,” located here: <https://www.federalreserve.gov/files/BGFRS-17-municipal-or-government-securities-principals-and-representatives.pdf>. Pursuant to the Privacy Act, disclosure of information

that must be released under the FOIA does not violate the Privacy Act (5 U.S.C. 552a(b)(2)). However, disclosure of any confidential information that is considered exempt under the FOIA must be made in accordance with the Privacy Act (5 U.S.C. 552a(b)). Thus, the Board may make disclosures of information collected on Form MSD-4 and Form MSD-5 in accordance with the Privacy Act's "routine use" disclosure provision, which permits the disclosure of a record for a purpose that is compatible with the purpose for which the record was collected (5 U.S.C. 552a(a)(7) and (b)(3)). The routine uses that apply to this information collection are listed in the SORN, which is available on the Board's website at the above hyperlink. Both Form MSD-4 and Form MSD-5 are being revised to include updated Privacy Act notices.

*Current actions:* On March 5, 2019 the Board published a notice in the Federal Register (84 FR 7902) requesting public comment for 60 days on the extension, with revision, of the Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer and the Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer. The Board proposes to revise Form MSD-4 and Form MSD-5 to (1) remove the date of birth and place of birth items from the 'Personal History of Applicant' section on Form MSD-4 and instructions; (2) make minor revisions to the Privacy Act statements on Form MSD-4 and Form MSD-5; and (3) remove the Privacy Act notice from the respective instructions for Form MSD-4 and Form MSD-5 (but leave the Privacy Act notice on the forms). The proposed revisions are effective as of June 1, 2019. The comment period for this notice

expired on May 6, 2019. The Board did not receive any comments. The revisions will be implemented as proposed.

Board of Governors of the Federal Reserve System, June 12, 2019.

**Michele Taylor Fennell,**

*Assistant Secretary of the Board.*

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